

## Government Policies and Regulations, Leadership Style and Employee Performance in Increasing Productivity of Indonesia's Small and Medium Enterprises

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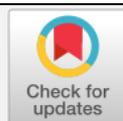
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### ABSTRACT

The performance and productivity of any enterprise is a contentious topic of discussion in development. This research looks at the performance of Small and Medium Enterprises (SMEs) and how they are regulated to increase company productivity. Specifically, the paper sought to establish how policies and regulations contribute to leadership tasks, loyalty, employee motivation and job performance, affecting a firm's production capacity. Policies and Regulations are examined in this paper because to enhance the performance of Small and Medium-sized Enterprises, the government of Indonesia issued regulation No. 20/2008, Article 3 about Micro, Small and Medium Enterprises intending to support the growth and development of the economy since 99% of the country's economy is support by SMEs which also employees 97% of the working population of the country, yet there is still limited research on policies in relation performance and Productivity of SMEs. Though policies are a fundamental component in business growth, it has been established that employee performance affects company productivity, affecting local employment rates. The sample population was taken from Indonesia's Small and Medium Enterprises (SMEs) employees. The sample size was 250, and PLS software was applied to analyze the data. The study's findings showed the leadership role's significance concerning existing Policies and

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*Regulations regarding SMEs. It was also revealed that motivational policies enable employees to go beyond expectations and show higher levels of job performance in their respective tasks, increasing productivity.*

**Keywords:** *Job Performance and Employee; Leadership; Performance; Productivity; Regulations and Policies*

## 1. Introduction

In today's rapidly changing universe, in most countries the world over, when it comes to the business sector, there is a challenge relating to national policies and regulations (Davis, 2022). Most companies' corporates and Public relations officers (Davis, 2022) are against such policies. They have kept challenging most government regulations and describe them as bottlenecks to doing business, hindering transparency and efficiency of business performance and productivity (Rachagan & Kuppusamy, 2013). This leads to increased transfer of businesses from one country to another. According to Davis (2022), companies explore all loopholes and move operations to fewer risk countries overseas as one way of dealing with unreliable government regulations.

In Indonesia, the government has tried to issue laws (Hamzah et al., 2022) that are considered attractive and deemed appropriate for business operations (Jeurissen, 2000); among government regulations are those regarding Micro, Small and Medium Enterprises and those rules about cooperatives (Tambunan, 2018). To be specific, in the constitution of the Republic of Indonesia, Law Number 20 of 2008 describes several articles regarding Micro, Small and Medium Enterprises. In an introduction to endorsing the regulation (Republik Indonesia, 2008), it is mentioned that there should be justice and prosperity in the community based on Pancasila and the 1945 Constitution of the Republic of Indonesia, which lays the economic development foundation of a nation.

Following Decree Number XVI/MPR-RI/1998 on Political Economy in the context of Economic Democracy in Indonesia (Hamzah et al., 2022), Micro, Small and Medium Enterprises need empowerment as an integral part of the people's economy (Santos & Laczniak, 2009) with a strategic position, role, and potential to create a strong national economic structure that is increasingly balanced, developed and fair. Indonesia needs strong human resources to have a functional, competitive economy. It has been noted that President Jokowi believes that to be developed, there is a need for better human resources, which should be developed through responsive education (MoF, 2019).

Responsible human resource ensures good performance and often aim at high production (Brzezczynski et al., 2016). Employees believe that good performance leads to a better job as its target for anyone seeking employment (Leong, 2016). By nature, human beings have to satisfy their survival and material needs needed in life (Lavee & Benjamin, 2017) by seeking employment as a way to survive in the form of regular employment (Chen et al., 2006; Rafaeli, 2006; Lewchuk et al., 2011; Wisman & Pacitti, 2014) which is paid. However, though satisfaction

is good for improved performance by employees (Fernandez & Moldogaziev, 2013), at times, some remain dissatisfied while at work (Nelson, 1978), even though the said job maybe well matching with their skills, talent and abilities (Pitts, 2009).

When employees are less satisfied at work (Ilies et al., 2009), their performance becomes poor, and there is slow productivity (Oswald et al., 2015), hence leading to poor job performance (Fu & Deshpande, 2013). The Indonesian government established employee protection laws to avoid poor job performance within Small and Medium Enterprises (SMEs). The employee protection laws have been strengthened through amendments based on Law Number 13 of 2003, which was issued on March 25, 2003. In recent years, the law has undergone amendments, including Law Number 11 of 2020 about labor, called labor law. Concerning this labor law, the government passed policies that led to the practical and empirical implementation of the labor law and Job creation law. These regulations are GR No. 35/2021, about terms of employment based on contract, outsourced human resources and time for work and resting. At the same time, the other Law is GR No 36/2021, which regulates wages and salaries (Yusuf, 2021).

Employee protection laws have been put in place for all sectors (Hyde, 1993), including Small and Medium Enterprises since employee or staff wellbeing is fundamental during production because performance is based on the wellbeing of the staff (Hellerstein & Neumark, 2020). The Indonesian government understands the power of Small and Medium-sized Enterprises to strengthen the economy (Purnomo et al., 2016). Research shows that over 99% of Indonesian firms or companies are SMEs, employing over 97% of the country's working-age group (Burger et al., 2015). Because of the importance of Small and Medium-sized Enterprises to the country's economy, Government encourages the growth and expansion of SMEs through concrete support; for instance, the Indonesian Government, besides issuing regulations, has also established support programs (Salim & Negara, 2018), such as the one-stop window for obtaining business licenses, provides Business Credits, a subsidized lending scheme to emerging and small companies (Burger et al., 2015).

The government's desire to run a smooth economy has led to the setting of regulations such as the law of the Republic of Indonesia, referred to as Government Regulation No. 20/2008, regarding Micro, Small and Medium Enterprises, meaning it's a regulation passed in 2008 (Republik Indonesia, 2008). In GR No. 20/2008, Article 3 strengthens the desire by Government to develop a strong economy through MSMEs. Article 3 stipulates that Micro, Small, and Medium Enterprises aim to engender and develop their business to grow the nation's economy based on the principles of equity and a democratic economic system (Republik Indonesia, 2008). The 1967 Indonesian Law strengthens the 2008 regulation on SMEs on the Basic Regulations for Cooperatives. This Basic Government Regulation Number 12/1967 provides provisions, such as the basic values and principles of cooperation (Republik Indonesia, 1967). In this case, SMEs operating as cooperatives should follow the set norms, values and principles established within GR No. 12/1967. The cooperatives regulation of 1967 further describes more practical guidelines, which include: the role of cooperatives, rights and responsibilities of members, organization, types of cooperation, the liability of members, the role of government, incorporation, winding up and dissolution, and other matters connected in addition to that.

## 2. Literature Review

It has been established through literature reviews and empirical studies that to discuss successful Small and Medium-sized Enterprises, and they should be examined from the

perspective of the entrepreneurship level (ownership or employer), workers or employee side and government regulation and government protection perspectives (Engidaw, 2022). The present paper examines the performance of Small and Medium Enterprises (SMEs) and how they are regulated to increase company productivity within an economy (Parker, 1999). The authors sought to uncover and establish how policies and regulations influence employee motivation (Link & Müller, 2015), emotional leadership, ethical leadership, servant leadership (Dixon & Hart, 2010) and Job performance concerning productivity.

## **2.1. Small and Medium-sized Enterprises based on Regulations**

Small and Medium-sized Enterprises in most countries, including Indonesia, are established based on regulations. Studies have revealed a strong relationship between regulations and the economic growth of a country (Teranishi, 1986; Dawson & Seater, 2013; Akisik, 2013; Madni & Chaudhary, 2017; Aceves & Amato, 2017). Teranishi (1986) points out that between the period 1953 to 1972, the Japanese economy experienced rapid growth and development due to the existing tightly regulated financial system. According to Dawson & Seater (2013), in their study, regulations significantly affect the economy, which influences a firm's output and production capacity.

This means that favorable policies and regulations highly support strong businesses, including SMEs and may hinder their establishment and smooth operations if poorly implemented. In a report by Frontier Economics (2012), it has been noted that regulations at times may have a bad effect on the growth of a country's economy by affecting the flow of necessary costs (Smolny, 2001) by distortion of market stabilities (Hazell & Scandizzo, 1975) due to the unnecessary delays and other protractive procedures (Djumadi & Barkatullah, 2019) which may end up leading to poor unintended production of firms mostly those run as Small and Medium-sized Enterprises, there is need for goodwill in doing business. Khaiarandy (2009) argues that the intention of goodwill should exist in each transaction, whether Micro, Small, Medium or large enterprises, because it is the soul of all transactions. In this perspective, he emphasizes and encourages the use of law based on good faith.

Khaiarandy (2009) mentions that in a legally binding and agreed-upon business transaction, at least three questions arise and must be answered regarding good faith before proceeding in all legal transactions. The points noted in the three questions understand that good faith is not universal, knowing the benchmark (legal test) used by any judge to tell whether or not there is good faith in any given transaction, and being clear about the functions of good faith before proceeding with any cooperation. This is based on the assumption that any influence brought about by the regulation will always impact a company's growth, which greatly affects performance, productivity and job availability.

The Indonesian government understands the importance of regulation. This has led to issuing of regulations that define and clarify the requirement for the operation of SMEs within the country. In regulation No. 20/2008 in chapter 1, within Article 1, Micro Enterprises are described as productive enterprises owned by individuals and or business entities or enterprises which fulfill the criteria of the micro-enterprise as regulated by the said law (Republik Indonesia, 2008). At the same time, Small Enterprises are defined as independent, productive enterprises run by individuals or firms and not directly or indirectly attached to medium or big companies (Republik Indonesia, 2008). In this same chapter 1 and still, in Article 1, Medium Enterprises are defined as independent, productive economic enterprises operated

by individuals and companies and not run as branch companies with a well-established budget stipulated by the policy (Republik Indonesia, 2008).

Djumadi & Barkatullah (2019) are of the view that due to the importance of micro, small, and medium enterprises to a country's economic growth and development. The government of Indonesia has worked hard to promote strong cooperation (Ifrani et al., 2019) between the public and private sectors concerning SMEs (Djumadi & Barkatullah, 2019). The government knows that the sector contributes much to the economy because over 99% of Indonesian firms or companies are SMEs, which employ more than 97% of the country's workforce (Burger et al., 2015). Therefore, a caring government must implement a well-facilitated economic system supported by strong policies and regulations oriented towards good service delivery and highly protective employee policies.

## **2.2. Employer, Employee Regulations and the Small and Medium-sized Enterprise Sector**

Entrepreneurship is a complex activity to engage in (Brown & Mason, 2017); regulations can help employers understand how profitable businesses can be operated (Gay & Kagan, 2018), more so Small businesses, where owners are expected to often review and assess employee performance. To emphasize the importance of regulations concerning Job performance, there should be an employer-employee working framework or working cycle depiction concept (App et al., 2012) because performance at work is a general behavior that employees depict regarding their competencies and employment abilities (Choi et al., 2014).

In all businesses, the concept of performance is essential to evaluate because it comprises both practice and the theoretical aspect, where the latter is much of an academic area (Piazza, 2017). In entrepreneurship, performance is positively assumed to influence sustainable productivity, hence sustainable performance development of a company (Hairudinor & Barkatullah, 2020). The performance concept is an encouragement concept to employees that enhances and increases production and contributes to the efficiency and effectiveness of a company's operations (Paulraj et al., 2015). In a study by Paulraj et al. (2015) based on multiple theories and mixing supply-chain and business ethics, they assessed the linkage between motive, practice and performance in production. This has been done because several companies keep attempting to improve human resources and management systems because they wish to cope with the changing business environment and the increased competition (Colletti & Chonko, 2013).

Therefore, a worker's performance plays a focal role in shaping a company's production capacity. When employees are committed to good performance, they either directly or indirectly impact production output and productivity, helping companies accomplish their strategic objectives and help to facilitate the sustainable performance of a firm (Dessler, 2011). However, it must be noted that at work, several factors may affect the level of satisfaction of the employees (Jarupathirun & Gennaro, 2019); among these factors include supervision or leadership support (Palanski et al., 2013), paid wages and salaries (Lobel, 2020), rewards in the form of promotions (Burrell & Kelly, 2015), work and family relationships (Bianchi & Milkie, 2010; Jang et al., 2012), workplace relationships between employees and many others.

## **2.3. The Relationship between Small and Medium-sized Enterprises and Employment in Indonesia**

Small and medium-sized enterprises (SMEs) are Indonesia's economic strength because they comprise 99% and employ over 97% of the working-age population, thus being a vital

component of national growth and development (Burger et al., 2015). According to OECD (2018) Indonesia's Ministry of Co-operatives and SMEs, in 2018, SMEs accounted for 97% of local employment, while 56% accounted for Indonesian local investments. Based on this, there is a regulation specifically about cooperatives and Small and Medium-sized Enterprises (Ibata-Arens & Obayashi, 2006). Policies aim to regulate funds targeting the public, leading to streamlining small and Medium-sized Enterprises in the country (Morris et al., 2015).

Most of Indonesia's SMEs are mainly dependent on mining, services, furniture, manufacturing and construction fields (Maksum et al., 2020). According to Musa & Chinniah (2016), depending on government projections and planning, by 2020, Small and Medium-sized enterprises were predicted to contribute 41% to the country's growth domestic product (GDP). However, despite the existing government support and program facilitation, there are still failures faced by both the existing and newly created SMEs (Chong, 2012). The challenges leading to failure include the limited knowledge of the business owners regarding management and poor financial discipline (Petrick, 2011).

On the other hand, it has also been noted that the poor performance of Small and Medium-sized enterprises can also be attributed to the poor performance of the workers (Ngo & Chi, 2020), which in most cases often contributes to reduced production in small and medium-sized businesses. Regarding this point, researchers argue that the lack of sufficient resources may cause poor performance of small and medium-sized enterprises to compete effectively with big firms (Loveman & Sengenberger, 1991). This may differ when the state has established a highly supportive minimum framework of regulations and policies that encourage investment, entrepreneurship and inclusive economic growth (Bardhan, 2016). Though SMEs are meant to comply with regulations, they face bottlenecks in meeting most established regulations due to inadequate resources, limited awareness and lack of expertise (Gunningham, 2002). This means that the constraints faced by SMEs concerning performance are mainly brought about as a result of insufficient skills in management and leadership. Based on this, it can be firmly stated that poor employee productivity in small and medium-sized businesses needs thorough investigation since the sector is known to power both developing and developed countries economies. It is upon such a background that the research aimed to examine policies and regulations to understand their impact on employee performance to help address the SME's production challenges.

#### **2.4. The Relationship between Small and Medium-sized Enterprises and Employment in Indonesia**

For business owners, whether individuals or companies, employee job performance is used to make decisions (Gardner et al., 2010) regarding competencies, skills enhancement of workers, job promotions, incentives, wages and salaries, promotions, demotions, punishments and trimming the workforce of a company etc. Some researchers have described performance as behavioral, crucial, noticeable and varied, and a sum of widespread events employees go through to attain better work results (Chu & Lai, 2011). Employee-job performance is highly related to productivity and reflects an employee's work-related relationships (Sykes et al., 2014). Through performance indicators, we can assess employees' attitudes toward their objectives toward decisions made either willingly or unwillingly (Scholz, 2017).

According to Chen & Silverthorne (2008), they believe that in the perspective of business success, employee-job performance, social objectives, and individual awareness judgment are then determined by the involved parties. It should be noted that several ways can be used to

determine the employee-job performance and the employee's capacity to perform. At the same time, these may include the quality of work, work-related outcome and output, punctuality, production capacity, individual personality and attitudes (Tseng & Huang, 2011). Green & Heywood (2008) specify two forms under which employee-job performance can be easily affected: an employee's personality may comprise capabilities, knowledge and skills and individual motivations. Secondly, the working environment also influences a worker's performance- the environment shapes employee expectations and reflects performance feedback (Green & Heywood, 2008). Thus, it can be concluded that employee-job performance includes skills and capabilities of the workforce, knowledge and abilities, efforts- work brought forth to get the job done efficiently and, of course, working conditions, which require adaptability towards all situations required in production.

## **2.5. Leadership in Small and Medium-sized Enterprises**

Changes in doing business have triggered the discussion of leadership in small and medium-sized enterprises (Meiseberg & Ehrmann, 2012). According to Ötting et al. (2021), this change has led to a desire for leadership that possesses a success-critical attitude and behavior, is more strategic in doing business, is clear in forms of communication and is prepared for new ideas and transformational development, which is sustainable in the present and in has become so important when it comes to business ownership more so regarding small and medium-sized enterprises, because it is the leadership styles which may drive success or cause setbacks in business. In other words, through the concept of leadership, it is established that leaders have authority and power, the leader's communication matters when it comes to the performance of an employee, a leader's decision style affects the company either positively or negatively, and the art of delegating by a leader to subordinates also influences performance in a company, especially, the performance of SMEs.

Due to the importance of leadership in organizational growth and development, including in SMEs, researchers have continuously conducted studies to address leadership aspects (Ötting et al., 2021), such as emotional leadership, leadership tasks and leadership personality traits. Fleishman et al. (1991), in their effort to examine changes regarding tasks and behavior, established two models: leadership tasks taxonomy model and a model for success-critical behaviors (Dörr et al., 2018; Ötting et al., 2021). Leadership is considered relevant for any success to be achieved by an organization (Hamstra et al., 2013). Because it influences the employee's behavior (Cameron, 2011). Good leadership often encourages its staff to do the company's best and stimulates them to perform their required tasks exceptionally well (Teece, 2007). By understanding the importance of leadership within a company, the paper also explores more about the concept leader's tasks.

In this paper, leadership tasks are one of the concepts discussed, and it has also become a point of focus in the present study. According to Lynch (2000), for a leader to perform his tasks well, necessary resources should be supported by both the will of the stakeholders and staff members. However, this cannot be abruptly achieved, but there should be a clear vision from the leadership itself. So, among the leadership tasks is being able to stire a company with its staff in the right direction. Salacuse (2017) argues that wise leadership is about a leader's charisma or vision and knowing tasks. According to Bach (2020), leadership tasks and responsibilities are based on two factors: the administrative framework of tasks and strategy based and the value orientation tasks.

Through such tasks, great leadership can impact the employees within the company (Carter & Baghurst, 2013) because, under ethical and strong leadership, employees learn to adopt new and better (Voegtlin et al., 2011). Ethical leaders should have two personality characteristics: personal moral characteristics and managerial aspects (Fehr et al., 2015). The concept of moral personality in the context of ethical leadership represents the leadership qualities of an individual. According to Trevino et al. (2000), ethical leadership represents required leadership qualities, such as a leader's being open, trustworthy and honest, conducting themselves with respect and with integrity and also being kind and responsible during the decision of morality of manager in the perspective of ethical leadership is a representation of behavior and attitudes of individuality in a leadership position, such as being positive and effective in leading others by example (Andelson, 2003).

## **2.6. Being Loyal in Leadership**

Small and medium-sized enterprises may hire leaders they expect should act politely and be loyal to the founder or founding board of the company. According to MacDonald (2019), loyalty originates from a French known as *leal*. Historically, the word loyal was more often used in kingdoms to describe those loyal to the king's leadership, hence the word *leal* subjects of the king (MacDonald, 2019). However, the word is used with time to define mutual obligations and commitments (MacDonald, 2019).

Loyalty in leadership brings about improved performance at work (Schrag, 2001) because it leads to a demand for more ethical (Sia, 2010) and people-centered management (Mwangi & Sena, 2003), which are innovative and supports employee wellbeing as one of the company's priority. A loyal leader tends to be loved by most of the staff since such a leader has roots in the ethical and moral framework of doing things.

Being loyal in a leadership position of small and medium-sized enterprises led to worker motivation while tasks to do any job for the company. This is because the leader considers other employees as partners in development and not mere subordinates. Such a perception has led to improved performance of most starting and already existing businesses. Upon this, motivation is considered an important component of individual performance within a company described. Employee motivation comprises aspects and factors that shape the attitude of the individual employees, hence influencing the persistence rate of the staff members and impacting individual efforts to perform.

When employees and managers feel motivated, they tend to show fewer stress behaviors and perform better during work (Lloyd et al., 2014). Conrad et al. (2015) refer to motivation as an inner state that causes an individual to behave in a way that ensures they can accomplish tasks. On the other hand, McGowan et al. (2012) define motivation as forces and expenses on efforts operating within a person, causing a given individual to behave differently. It is concluded that employee motivation mostly depends on norms, attitudes, values and how leaders behave and act in varying situations. When firms can identify that certain work culture is supportive and reflects the objectives and goals of the organization, then there is an assurance that employees are motivated and are under good working conditions. Conrad et al. (2015) argue that a motivated workforce has the hope and dream of every organization that expects good performance and production. Several studies which have explored the concept of motivation consider it a vital concept required for integration in all small and medium-sized enterprises.

From the literature presented, it has been established that in the present study, several hypotheses were raised:

- H1: Regulations for SMEs are positively linked with employee motivation
- H2: Employee motivation is linked positively with job performance
- H3: Leadership tasks have a positive link with employee motivation
- H4: Loyal leadership is connected positively with employee motivation
- H5: There is a positive mediating role of employee motivation among the connectivity between leadership in SMEs and job performance
- H6: There is a positive mediating role of employee motivation in the relationship between loyal leadership and job performance
- H7: There is a positive mediating role of employee motivation among the connectivity between leadership in SMEs and job performance

### 3. Theoretical Framework

The framework is presented in the figure form as an illustration of the employee-job performance based on regulations in the development of Small and Medium enterprises in Indonesia.

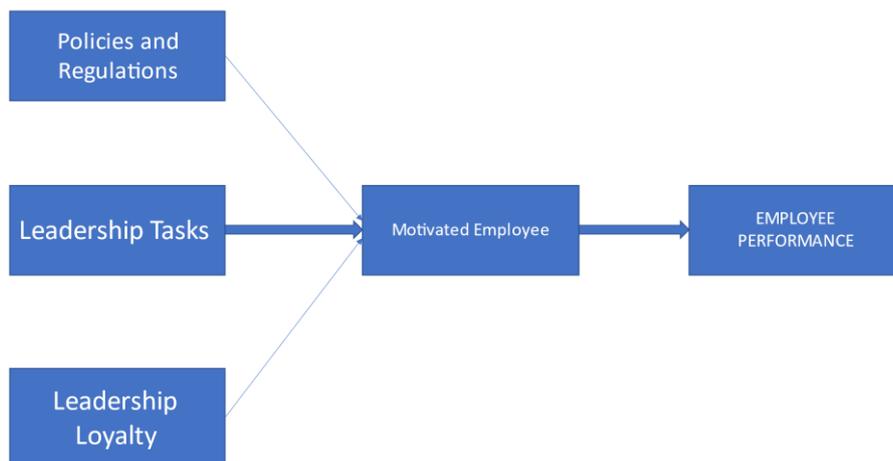


Figure 1. Employee-Job Performance Model

From the above framework, it is noted that policies and regulations influence the running of small and medium-sized enterprises in Indonesia. These regulations regarding SMEs are positively linked with employee motivation, hence having either a direct or indirect influence on the motivation of employees. The figure also shows that employee motivation is directly related to individual performance, which impacts a company's productivity. Other factors, such as leadership tasks and loyalty, are seen to be having a direct impact or influence on employee motivation, affecting employee performance. Therefore, there should be good employee motivation through varying means for performance to occur as expected.

### 4. Research Method

It is well known that several research methods exist, and they can be used depending on the research focus and how appropriate the chosen one may be (Ponto, 2015). In this present study, a survey research method was applied. The authors decided to use a survey method because

they found it appropriate to carry out surveys on the established target sample of employees working for small and medium-sized enterprises across Indonesia. The survey helps gather relevant and required data and ensures the answers to questions are most appropriate (Becker et al., 2022).

The data were collected using a mail survey. With a desire to attain a large sample of respondents, a mail survey was considered efficient since it could help the researchers reach as many respondents as needed. Sloan (2018) believes that using mail surveys helps obtain and handle large survey samples without losing any responses. In other words, to be specific, through e-mail, data was collected. The population was taken from the government employees of different departments of Indonesia's Small and Medium-sized Enterprises across the country.

The sample size was 250 employees categorized into top management, middle management and lower management. However, 211 responses have been returned. 49% were in the range of 25 to 35, 31% were in the range of 36 to 45 and 20% were in the range of 46 to 60. 77% were married. 69% of employees have a master's degree. Two hundred fifty questionnaires were distributed; however, 211 were returned, and 190 were able to use for further analysis.

### 5. Results and Discussion

Data analysis has been conducted based on the acquired information related to the hypotheses and research objective.

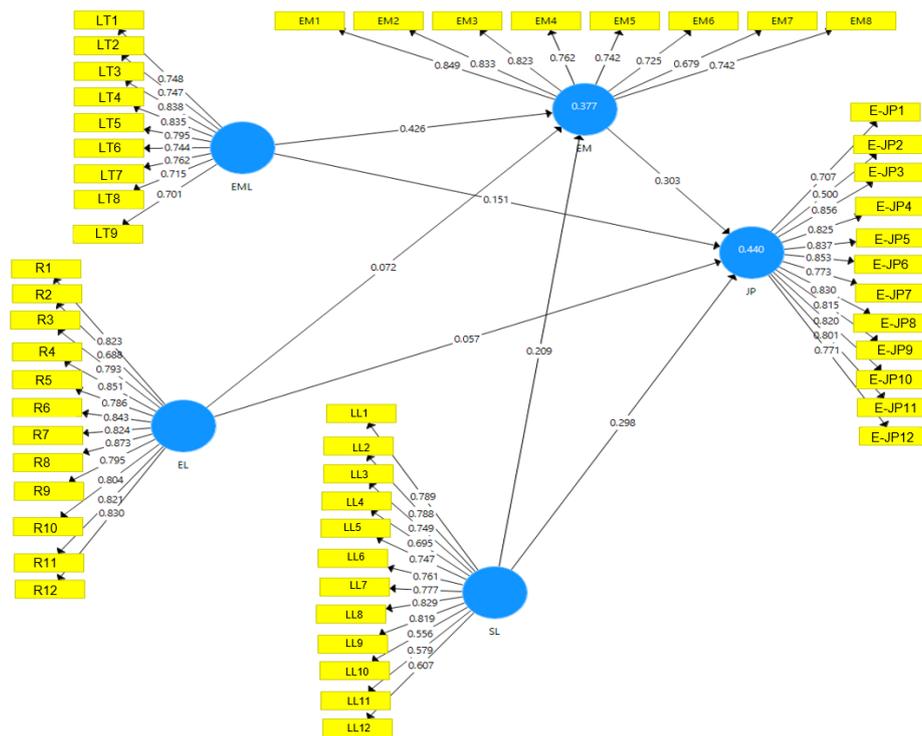


Figure 2. E-mail Data Analysis

The value of composite reliability should be greater than 0.70. In Table 1, the composite reliability value is greater than 0.70. This implies that regulations are of significant influence on employee motivation, hence affecting performance positively.

**Table 1. Average Variance Extracted (AVE)**

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
R	0.953	0.957	0.959	
EM	0.902	0.907	0.921	0.66
LT	0.912	0.915	0.927	0.595
EPJ	0.943	0.948	0.951	0.587
LL	0.918	0.924	0.931	0.621
				0.533

**Table 1** shows that the construct of leadership tasks attained a maximum composite reliability of 0.959 and an employee motivation yield of 0.907 as a minimum composite reliability based on the present study regarding constructs.

The latent construct value must explain the indicators' variance (Hussain et al., 2018). Thus, the factor loading should be greater than 0.700 to produce a value greater than 0.50 for AVE (Hariyanto & Nafi'ah, 2022). Thus, the threshold value of AVE should be greater than or equal to 0.50. So, the AVE is greater than 0.50, which is acceptable in **Table 1**.

The Fornell-Larcker criterion is a traditional approach for discriminant validity evaluation comparing the AVE's square root values with the correlations values of the latent construct (Hariyanto & Nafi'ah, 2022). The AVE's square root must be greater than the values of the correlations with other latent constructs, and the values of AVE should be a minimum of 0.50 or higher for comparison. Hussain et al. (2018) argued that the significant value of the Fornell-Larcker criterion, only the reflective constructs, could be assessed.

**Table 2. Discriminant Validity**

Constructs	EL	EM	EML	JP	SL
EL	0.813				
EM	0.422	0.772			
LT	0.51	0.575	0.766		
LL	0.461	0.558	0.512	0.788	
SL	0.681	0.465	0.528	0.559	0.731

**Table 1** shows that the AVE of the latent construct lies between 0.533 to 0.660, which fulfills the recommendation of (Hair et al., 2014). Fornell and Larcker criterion, the latent constructs would be fulfilled the discriminant validity in **Table 2**.

There are seven (7) hypotheses in this research, of which four (04) hypotheses show direct effects, and three (03) show indirect effects (mediating effect). In general, the t-value is different from zero (0.0). It is statistically significant, yet, it relies on the degree of freedom. Therefore, the p-value measures whether the path is significant or not. The smart PLS3 produces a t-value and p-value. The confidence level and the computation of the p-value are at 95% (Bickel, 2007).

**Table 3. Direct Relationship**

Hypothesis	Relationship	Original Sample (O)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values	Decision

H1	R -> EM	0.681	0.041	16.713	0	Accepted
H2	EM -> EJP	0.381	0.055	6.863	0	Accepted
H3	LT -> EM	0.575	0.052	11.049	0	Accepted
H4	SL -> EM	0.382	0.055	6.91	0	Accepted

Hypothesis 1 (H1) has a direct association between leadership tasks and employee motivation, and leadership tasks contribute to a positive and significant effect on employee motivation. Specially, H1 is accepted ( $\beta = 0.681$ ,  $t = 16.713$ ,  $p=0 \leq 0.000$ ). Hypothesis 2 (H2) has a direct relationship between employee motivation and Employee-job performance, and employee motivation contributes positively and significantly to the effect of the employee-job performance. Specially, H2 is accepted ( $\beta = 0.381$ ,  $t = 6.863$ ,  $p=0 \leq 0.000$ ).

Hypothesis 3 (H3) has a direct relationship between leadership tasks and employee motivation, and leadership tasks contribute positively and significantly towards employee motivation. Specially, H3 is accepted ( $\beta = 0.575$ ,  $t = 11.049$ ,  $p=0 \leq 0.000$ ).

Hypothesis 4 (H4) has a direct relationship between loyal leadership and employee motivation, and loyalty has a positive and significant effect on employee motivation. especially, H4 is accepted ( $\beta = 0.382$ ,  $t = 6.91$ ,  $p=0 \leq 0.000$ ). Additionally, **Table 4** shows the indirect paths relationship, t-value and p-value.

**Table 4. Indirect Relationship**

Hypothesis	Relationship	Original Sample (O)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values	Decision
H5	LL -> EM -> EJP	0.219	0.039	5.66	0	Accepted
H6	LL -> EM -> EJP	0.26	0.042	6.25	0	Accepted
H7	LL -> EM -> EJP	0.13	0.029	3.94	0	Accepted

**Table 4** above shows the coefficient of 3 indirect relationships and their respective p and t-value for measuring whether the hypothesis is significant or insignificant.

Hypothesis five shows the mediating effect of employee motivation between leadership tasks and employee-job performance. Statistical data ( $\beta = 0.219$ ,  $t = 5.66$ ,  $p=0 \leq 0.000$ ) shows that employee motivation has significant mediation between leadership tasks and employee-job performance. Hypothesis six shows the mediating effect of employee motivation between leadership tasks and employee-job performance. Statistical data ( $\beta = 0.260$ ,  $t = 6.25$ ,  $p=0 \leq 0.000$ ) shows that employee motivation has significant mediation between leadership tasks and job employee job performance. Hypothesis seven shows the mediating effect of employee motivation between loyal leadership and employee-job performance. The statistical data ( $\beta = 0.130$ ,  $t = 3.94$ ,  $p=0 \leq 0.000$ ) shows that employee motivation significantly mediates between loyal leadership and employee-job performance.

**Table 5. R-Square**

Constructed	R Square	R Square Adjusted
		0.329
		0.423
EM	0.331	

From **Table 5**, it is shown that employee motivation has an R2 value of 0.331 (33%) and employee-job performance has an R2 value of 0.426 (43%). So, the R2 value is significant.

Due to the contribution of small and medium enterprises to national economic growth and development. Productivity and performance are contentious concepts to discuss. The present study examines how employee-job performance concerning regulations impacts a firm or company's production capacity. Specifically, the paper sought to establish how policies and regulations contribute to leadership tasks, loyalty, employee motivation and employee job performance contributing to small and medium-sized production.

Hypothesis 1 (H1) has a direct relationship between regulations and employee motivation, and regulations have a positive and significant effect on employee motivation. Specially, H1 is accepted ( $\beta = 0.681$ ,  $t = 16.713$ ,  $p=0 \leq 0.000$ ). Hypothesis 2 (H2) has a direct relationship between employee motivation and employee-job performance, and employee motivation has a positive and significant effect on employee-job performance. Specially, H2 is accepted ( $\beta = 0.381$ ,  $t = 6.863$ ,  $p=0 \leq 0.000$ ). Hypothesis 3 (H3) has a direct relationship between leadership tasks and employee motivation, and leadership tasks have a positive and significant effect on employee motivation. Specially, H3 is accepted ( $\beta = 0.575$ ,  $t = 11.049$ ,  $p=0 \leq 0.000$ ). Hypothesis 4 (H4) has a direct relationship between loyal leadership and employee motivation, and loyal leadership positively and significantly affects employee motivation. Especially, H4 is accepted ( $\beta = 0.382$ ,  $t = 6.91$ ,  $p=0 \leq 0.000$ ). Hypothesis five shows the mediating effect of employee motivation between loyal leadership and employee-job performance. The statistical data ( $\beta = 0.219$ ,  $t = 5.66$ ,  $p=0 \leq 0.000$ ) shows that employee motivation significantly mediates between loyal leadership and employee-job performance. Hypothesis six shows the mediating effect of employee motivation between leadership tasks and employee-job performance. The statistical data ( $\beta = 0.260$ ,  $t = 6.25$ ,  $p=0 \leq 0.000$ ) shows that employee motivation significantly mediates between leadership tasks and employee-job performance. Hypothesis seven shows the mediating effect of employee motivation between loyal leadership and employee-job performance. The statistical data ( $\beta = 0.130$ ,  $t = 3.94$ ,  $p=0 \leq 0.000$ ) shows that employee motivation significantly mediates between loyal leadership and job performance.

## 6. Conclusion

It is sufficing to conclude that based on the present study, the extraction of valuable practical approaches for firms and governments regarding regulations concerning the performance of Small and Medium Enterprises for economic growth and inclusive development is clearly described. It is, therefore, clear that the presence of regulations, resources, leadership and employee motivation can lead to improved organizational performance, hence increasing production. As a result, within the organization, leaders must develop the required working attitudes for employees to follow as a motivational tool that facilitates better working relationships.

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## 8. Declaration of Conflicting Interests

The authors have declared no potential conflicts of interest concerning this article's research, authorship, and/or publication.

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